Business Strategy for CERSP Web Portal

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Services Business (CERSP.com)

The Chinese government began implementing sweeping education system policy reform in 2000. The essential element of this reform is to change the learning method from rote memorization to individualized creative learning. China’s Ministry of Education (MoE) foresaw several challenges, including how to; consistently implement the new program across the country; contain costs; promote peer networking among teachers, students and parents; and aiding administration officials conduct their duties.

Mr. Chengfeng Zhou (Chairman of CER) and Mr. Hai Guan (President of Today's Teachers Technology and Culture Ltd. (TTTC)) realized that the reform would be prohibitively expensive, create tremendous demand for new curriculum, updated textbooks and enrichment material. The answer, they reasoned, would be to build an integrated national education web portal. The portal could be used to inform, network, and enable dissemination of the best education materials, based on users’ demands.
Consequently, in 2002 they began to develop the [CERSP.com](http://www.cersp.com) internet portal to address the new demands placed on China’s compulsory education system. It wasn’t long before the MoE’s Curriculum Development Center noticed CER’s successes and decided to co-develop the CERSP web portal with CER.

CERSP is a virtual network, accessible to all key groups in the education sector – teachers, students, administrators and parents. The portal enables these groups to access the new curriculum created by various levels of government and leading academic experts and fully endorsed by the MoE. The CERSP portal is also being used to educate teachers in mandatory training courses, which are expected to produce substantial revenues in 2006 and indefinitely into the future.

**DEVELOPMENT AND TESTING TIMELINE**

December 2004, the Chinese Ministry of Education (MoE) convened meetings in Beijing and Hainan, endorsing CERSP and more specifically, promoting its use as an effective tool to help teachers teach the new technical course.

February 2005, the Hainan Province Education Department issued a directive to all primary and secondary schools in the Province mandating the use of internet-based education and teaching resources. Our CERSP web portal is the exclusive provider of digital education services to support these government led initiatives. There are approximately 1.5 million students, 95,000 teachers and 4,760 schools in Hainan Province.

May 2005, Today’s Teachers Technology and Culture Ltd. (TTTC) signed an agreement with the MoE’s Curriculum Development Center (CDC) to accelerate China’s basic education reform. TTTC granted the Central Government “naming rights” on its education resources CERSP. The CDC home page now carries CER’s CERSP logo as its official web portal. Representatives from the MoE are assisting TTTC in developing content for the platform.

This endorsement from the Central Government’s Ministry of Education greatly increases Provincial interest in the CERSP web portal, and provides a high degree of confidence in the integrity of content on the portal. The MoE has also committed to showcasing CERSP through a nationally broadcast television program, focused on highlighting the education reform process in China. In particular, the media coverage will underscore the success of CERSP within Hainan province as a model method for implementing curriculum reform on a national scale, in an efficient and cost effective manner.
June 11-12 2005, the MoE convened a national meeting in Hainan province to discuss educational reform and showcasing CERSP as a key instrument in the government’s education reform policy. The MOE reaffirmed our web portal as the only one in China which integrates the essential requirements of the educational sector, government and private sector in a cost effective and socially responsible way. In attendance were 70 delegates from 12 Provinces and major cities, representing 34% of the Chinese population.

In his remarks, Mr. Jian Liu, head of the CDC said, "This platform will be a key instrument in the MOE's next five year plan for education reform, which begins this year. This platform satisfies a number of key objectives of the MOE and will be the educational portal in China."

Since the June 2005 meeting, the CDC has begun to implement a plan requiring other regions (provinces and cities) to begin using CERSP. This plan involves the following key aspects:

1. Implement a teacher training program using the CERSP portal as the delivery mechanism.

2. Link existing educational websites developed by other provinces and cities to the CERSP web portal.

3. Using CER’s Hainan test as a model, create education content modules for other regions. The objective is to have regional education authorities promote the use of CERSP in the schools under their jurisdiction.

4. Create special purpose websites in each of 34 core subject areas. The objective is to create a primary source of digital information for teachers and students to aid them in assimilating material taught in the new creative fashion in each core subject area. In the case of teachers, the platform will offer teaching plans, case studies and tools to assess student performance. In the case of students, the platform will offer study guides, workbooks, and sample examinations.

Pilot Program

The results of our Hainan Province Pilot Program were tremendously successful, with over 5.6 million site visits and over 86,000 articles posted on the site during its initial twelve month period. As a result, we have entered discussions with several provincial education authorities in an effort to have these Provinces use the portal. We continuously improve the CERSP portal based on feedback from
teachers, students, administrators and education commissions.

Revenues are based on teacher training fees, membership fees from schools, teachers and students; download fees from individuals who access educational content; distribution income from reference books sales to school libraries (our exclusive agreement with MoE); advertising; on-line consulting fees; hosting fees for other organizations wanting access to the education sector; and distribution income from the sale of education and non-education publications.

CERSP.com Technology Platform

The CERSP platform is comprised of the following main services:

- Online teacher training;
- Online networking for both teachers and students;
- Consultation service for teachers to interact with experts in various fields.

The teacher training program is designed to instruct teachers on the use of the new curriculum materials that have been produced as a result of the Central Government’s recent education initiatives. The program consists of three training sessions, containing two subject courses and each session lasts two months.

The networking system is designed to allow teachers and students to share their educational resources with others around the country and further improve the quality of education in China. In exchange for an annual membership fee, we plan to grant individuals access to various lesson plans, notes, and other educational resources sourced from teachers and schools around the country. These materials will be available for members to download at an additional cost. These resources will be divided into various categories including coursework, teaching plans, and past examinations. Furthermore, we plan to organize all resources according to membership level such that only qualified individuals will be able to access certain information, for example, only teachers will be allowed to access lesson plans. In order to maximize participation by all members, thereby improving their own educational experiences as well as boosting platform revenues, a fair exchange mechanism will be integrated into the website to ensure maximum interaction.

All members will be able to manage their own resources and review information transfer that takes place. Users can view their account balances, order resources, and upload information into CERSP. The payment system is integrated into the resource management component of the website.
The consultation service is designed for teachers to network with various experts around the country to further expand their knowledge base. Teachers will be able to forward their problems to professors, scientists, and other experts for consultation and recommendations.

CERSP Collaborations

August 2003 – through TTTC, CER has an agreement with Anhui Guoxun Education, Science and Technology Limited representing the MoE, which gives TTTC the right to supply library books on the MoE equipment website. The agreement also permits us to link CERSP to the website of the Equipment Division of the Ministry of Education for a period of five years. TTTC is the exclusive supplier of library products on the website, and profits on the sale of library products are split 80% TTTC and 20% Anhui Guoxun Education.

November 2003 – TTTC entered into an agreement with Zhongshang Xinhua Books Networks Co., Ltd., (Xinhua Books), which provides TTTC the exclusive right to provide Xinhua Books’ online book information to the education sector. TTTC plans to finance, construct and maintain a special section on the CERSP platform to feature Xinhua Books’ information. Under the terms of this agreement, TTTC will offer Xinhua Books’ educational products on the website, and profits on the sale of such products are split 80% TTTC 20% and Xinhua Books.

July 2004 – TTTC signed an agreement with the Education Research and Training Institute of Hainan Province (ERS) to finance, construct, and maintain a special “The Hainan Province Education Resources Section” on the CERSP web portal. TTTC will offer educational products on the website, and profits on the sale of such products are split 70% ERS and 30% TTTC. The agreement expires on December 31, 2009.

February 2005 – the Hainan government issued a directive to all primary and secondary schools in the province mandating the use of online education and teaching resources. Our CERSP web portal is their exclusive provider. Revenue will be derived from various fees, including: membership, educational content downloading, online tutoring, administration back-office functions, advertising, and instant messaging.

May 2005 – we secured a 5 year agreement with leading Shanghai intellectuals to develop content for a Shanghai module which will be hosted on the CERSP web portal. The intellectuals (professors, authors, administrators, teachers and curriculum developers) advise us on the development of supplementary websites.
devoted to curriculum reform, teaching guides, family education, and teacher training.

May 2005 – we had launched a mathematics website to supplement the CERSP web portal. The majority of the development is expected to be done in conjunction with the National Math Curriculum Standard team, a group responsible for leading the government’s efforts to reform the math curriculum in China. The math platform will consist of several supplementary websites devoted to curriculum reform, teaching guidelines, online tutorials and teacher training.

May 2005 – we made agreement between TTTC and the Basic Education Curriculum Development Centre of the Ministry of Education (CDC) for the endorsement of the CERSP.com web portal and development guidance. In exchange, CER pays RMB 1.5 million (approximately $185,000) annually.

Management is currently in discussion with several Provincial Education Commissions and other parties who are interested in our CERSP.com web portal.

**Our Sales and Marketing Strategy**

Our objective for CERSP is to operate China’s leading education portal.

Our marketing strategy combines official government support with creative, private marketing methods to create awareness and interest in CERSP; gain trust and credibility in our services and products; and lead all members of the education community to use this great new capability.

Since beginning CERSP development in 2002, we have gained ever increasing respect and endorsements from every level of government education. Our CERSP web portal service now enjoys endorsements from the Provincial Education Commissions and the Ministry of Education of the Central Government.

We plan to sign limited profit sharing agreements with Provincial Education Commissions to provide financial incentives for their endorsements and cooperation. Our agreements with ERS, Zhongshang Xinhua Books and Anhui Guoxun Education give us unique leverage for gaining acceptance in every province. Given these profit sharing component of the arrangements, we believe that all education organizations have incentives to assist in promoting our CERSP web portal.
We believe that the most important ingredient for success will be the degree to which we are accepted by the marketplace. Based on the tremendous response we have received on the portal, we believe that it satisfies a market demand heretofore not met by any other product. A key component of our sales and marketing strategy, therefore, is to continue to provide content which is relevant, of high quality and available nowhere else. To that end, we have signed agreements with 180 national level experts in a number of different subject areas, to provide content to the portal on an exclusive basis.

Central Government and Provincial Regulation and Licensing

CERSP is currently a link to the website of the Equipment Division of the Ministry of Education under the Cooperation Agreement we have entered into with Anhui Guoxun Education, Science and Technology Limited representing the Ministry of Education. Under the terms of this agreement, the Ministry of Education agreed to permit us to link CERSP to the website of the Equipment Division of the Ministry of Education for a period of five years beginning August 11, 2003.

TTTC has applied to the Ministry of Information Industry (MII) for a license to act as an Internet content provider for our CERSP platform. China's data communications industry is regulated by the Ministry of Information Industry and other relevant authorities, and licenses must be obtained to be an Internet content provider. Generally, Internet content providers must register their users with the Ministry of Public Security, and must block websites (including those maintained outside China) that the ministry identifies as publishing information damaging to public security. Periodically, the Ministry has stopped the distribution over the Internet of information that it believes to be socially destabilizing, or to violate Chinese laws and regulations. In addition, the State Secrets Bureau has issued regulations authorizing the blocking of any website it deems to be disclosing state secrets or failing to meet the relevant regulations regarding the protection of state secrets in the distribution of online information. TTTC was issued an internet content provider license on July 16, 2004.

**Competition**

We could face competition from competitors that offer similar products and services on the Internet to the educational community or other websites specializing in educational products. In addition, we could face competition from existing websites that expand to offer information and permit sharing of information related to education. At this time we are unable to fully predict which
entities will introduce platforms that will compete directly with our CERSP platform or the nature and scope of services our competitors will offer.

While the potential exists for competition to provide some services and products of a similar nature, we believe that it would be very difficult for a competitor to provide a platform offering all the products and services that we currently offer because of agreements we have entered into which give us certain exclusive rights to provide certain products and services. For example, our agreement with ERS and Zhongshang Xinhua Books gives us the exclusive right to provide certain educational products on our CESRP platform with profit sharing arrangements. Our agreement with the Anhui Guoxun Education, the company which operates the China Education Equipment website on behalf of the Ministry of Education, designates us as the exclusive online subscription service and supplier of library reference books to the elementary and secondary school system in China.

Research and Development

TTTC and the Chinese Curriculum Development Center have spent countless hours developing the web portal. CER believes it is critical to continue its R&D to maintain customer satisfaction and edge over potential competitors.

Growth Strategy

The strategy behind our portal is to work together with various levels of government and the academic sector to deliver educational content in the most efficient and cost effective way and thereby further education reform in China.

✓ Expand teacher training program with a view to making our program the national standard
✓ Work with MOE to promote use of CERSP.COM portal nationwide
✓ Secure exclusive agreements with additional provinces and create specialized secondary websites
✓ Develop and unite the best education resources with national experts and governments
✓ Continue growth in traditional textbook business
✓ Team with strategic partners to achieve the goal to be the #1 China education portal in early 2006
✓ Develop CERSP.COM portal-based integrated vertical education search engine for China K-12 education system